

UNION COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

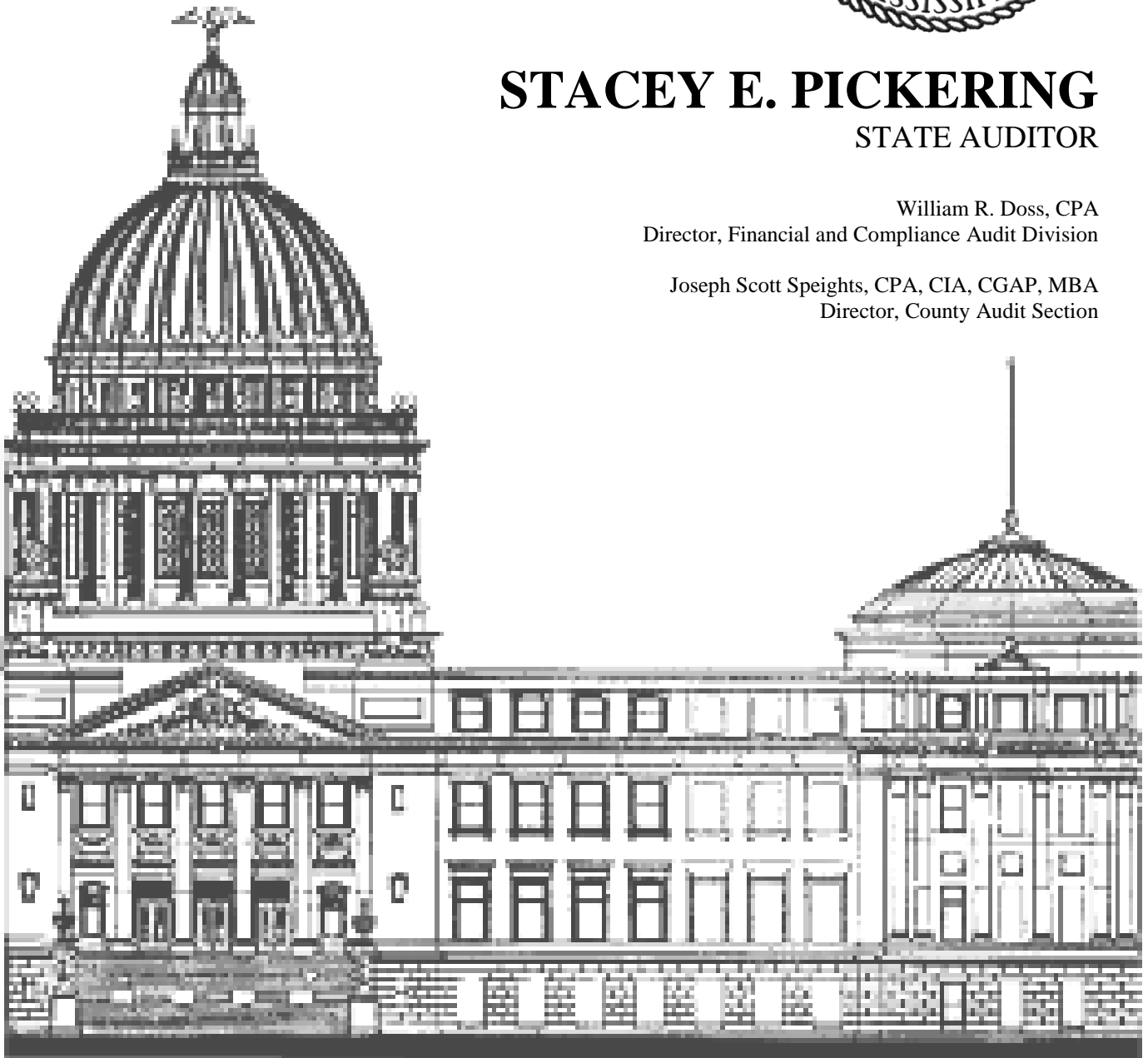


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 7, 2014

Members of the Board of Supervisors
Union County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Union County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Union County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Union County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

Stacey E. Pickering
State Auditor

UNION COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	17
Statement of Net Assets	19
Statement of Activities	20
Balance Sheet – Governmental Funds.....	21
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement Net Assets – Proprietary Fund.....	25
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	26
Statement of Cash Flows – Proprietary Fund	27
Statement of Fiduciary Assets and Liabilities	28
Notes to Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION	47
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	49
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Countywide Road Maintenance Fund.....	50
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Countywide Bridge Fund	51
Notes to the Required Supplementary Information	53
OTHER INFORMATION	55
Schedule of Surety Bonds for County Officials	57
SPECIAL REPORTS.....	59
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	63
Limited Internal Control and Compliance Review Management Report	69
SCHEDULE OF FINDINGS AND RESPONSES	71

UNION COUNTY

FINANCIAL SECTION

UNION COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Union County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Union County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Union County Library System, a component unit, which represents 100 percent of the assets, net assets, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Union County, Mississippi, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014, on our consideration of Union County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 7, 2014

UNION COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNION COUNTY

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Terry Johnson, County Administrator

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The discussion and analysis of Union County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Union County is located in Northeastern Mississippi along Hwy. 78 (the Future Interstate I-22). The population, according to the 2010 census, is 27,134. The local economic base is driven mainly by manufacturing.

FINANCIAL HIGHLIGHTS

Union County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Union County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net assets decreased \$2,352,976, which represents a 3% decrease from the prior fiscal year. The County's ending cash balance decreased by \$541,943, which represents a 5% decrease from the previous year.

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The County had \$12,512,943 in total revenues. Property tax revenues account for \$6,673,124 or 53% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$2,609,664, or 21% of total revenues. Charges for services account for \$1,875,376 or 15% of total revenue.

The County had \$14,865,919 in total expenses, which represents an increase of \$1,693,611 or 13% from the prior fiscal year. Expenses in the amount of \$3,835,924 were offset by grants or outside contributions. General revenues of \$8,677,019 were not adequate to cover the remaining amount of expenses, \$11,029,995. However, the county had adequate cash reserves to cover these expenses.

Among major funds, the General Fund had \$5,972,807 in revenues and \$6,174,458 in expenditures. The General Fund also had net other financing sources of \$9,292. The General Fund's fund balance decreased \$192,359 from the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$1,983,470 in revenues and \$2,415,288 in expenditures. The Countywide Road Maintenance Fund's fund balance decreased \$431,818 from the prior year.

Among major funds, the Countywide Bridge Fund had \$1,680,257 in revenues and \$1,580,050 in expenditures. The Countywide Bridge Fund's fund balance increased \$100,207 from the prior year.

Among major funds, the Health Foundation Fund had \$69,973 in revenues and \$72,915 in expenditures. The Health Foundation Fund's fund balance decreased \$2,942 from the prior year.

Capital Assets, net of accumulated depreciation, decreased by \$2,109,855. This represents a 4% decrease.

Long-term debt decreased by \$384,210 or 4%. Toyota bonds outstanding in the amount of \$8,030,000 account for 95% of all Long-term debt. This bond issue will be repaid from the in lieu of advalorem tax fee.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

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Figure 1 – Required Components of the County's Annual Report

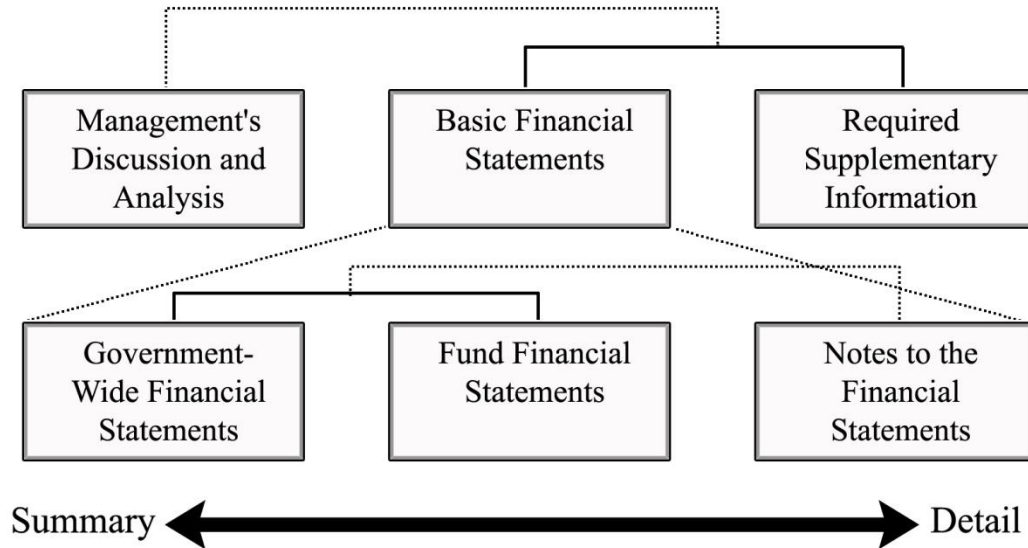


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements

Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements

	Government -Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development; and interest on long-term debt. The business-type activities of the County include the County's Solid Waste Fund.

The Union County Library System, a component unit which has a significant operational or financial relationship with the County, is included in the financial statements as a discretely presented component. It is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government.

The Government-wide Financial Statements can be found on pages 19 and 20 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, permanent and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24, respectively.

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The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 21 and 23 of this report.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses an enterprise fund to account for the Solid Waste Fund.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Fund is considered to be a major fund of the County. The proprietary funds financial statements can be found on pages 25-27 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 28 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 29-46 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 49-53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Union County, assets exceeded liabilities by \$74,109,916 as of September 30, 2012.

By far, the largest portion of the County's net assets (75%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, improvements other than buildings, mobile equipment, furniture & equipment, and construction in progress). The County uses these capital assets to provide services to its citizens.

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The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets at September 30, 2012 and 2011.

	Governmental Activities		Change
	2012	2011	
Current assets	32,775,829	33,335,056	-2%
Capital assets, net	55,086,611	57,150,159	-4%
Total assets	\$ 87,862,440	\$ 90,485,215	-3%
Current liabilities	6,276,093	6,262,199	0%
Long-term debt outstanding	8,423,212	8,808,965	-4%
Total liabilities	14,699,305	15,071,164	-2%
Net assets:			
Invested in capital assets, net	55,086,611	56,830,100	-3%
Restricted	13,719,412	14,075,312	-3%
Unrestricted	4,357,112	4,508,639	-3%
Total net assets	\$ 73,163,135	\$ 75,414,051	-3%

	Business-type Activities		Change
	2012	2011	
Current assets	897,121	908,471	-1%
Capital assets, net	178,287	224,594	-21%
Total assets	\$ 1,075,408	\$ 1,133,065	-5%
Current liabilities	120,947	78,087	55%
Long-term debt outstanding	7,680	6,137	25%
Total liabilities	128,627	84,224	53%
Net assets:			
Invested in capital assets, net of related debt	178,287	224,594	-21%
Restricted	768,494	824,247	-7%
Total net assets	\$ 946,781	\$ 1,048,841	-10%

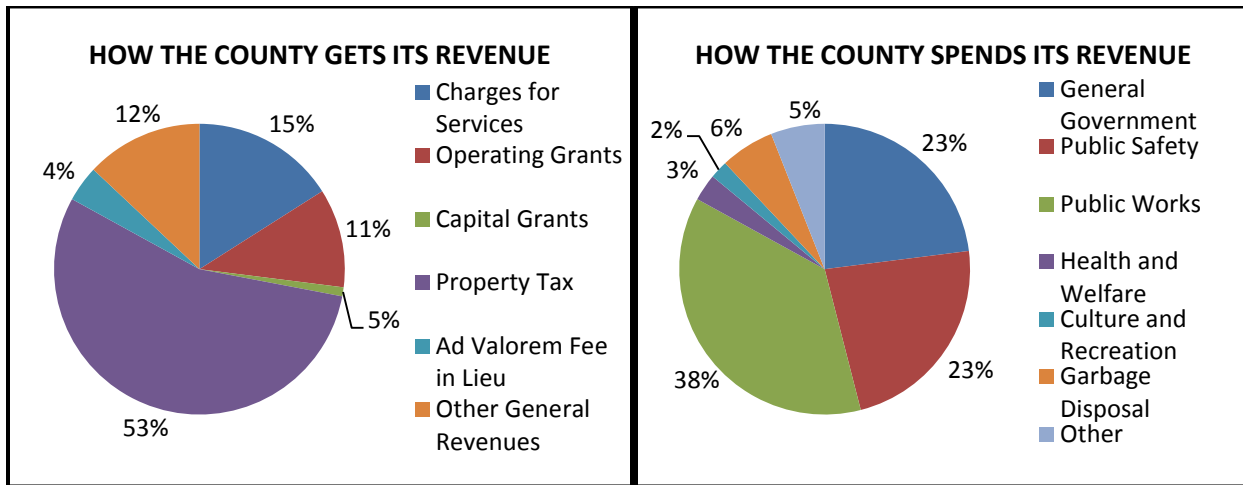
Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee of \$8.00 charged on each home & various charges for commercial garbage service based on the service provided such as dumpster size and number of pickups per week.

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Changes in Net Assets – Union County’s total revenues for the fiscal year ended September 30, 2012 were \$12,512,943. The total cost for all services provided was \$14,865,919. The decrease in net assets was \$2,352,976. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 1,875,376	1,903,695	-1%
Operating grants	1,374,711	1,508,954	-9%
Capital grants	585,837	89,449	555%
General revenues			
Property taxes	6,673,124	6,372,925	5%
Advalorem Tax in-lieu fee	441,999	463,108	-5%
Other General Revenue	1,561,896	1,761,119	-11%
Total Revenues	<u>12,512,943</u>	<u>12,099,250</u>	3%
Expenses:			
General government	3,425,319	3,269,052	5%
Public safety	3,352,481	3,140,341	7%
Public works	5,805,898	4,436,363	31%
Health and welfare	411,124	442,126	-7%
Culture and recreation	243,276	232,147	5%
Conservation of natural resources	125,419	146,821	-15%
Economic development	180,060	197,455	-9%
Interest on long-term debt	457,818	509,107	-10%
Garbage disposal (Business type)	864,524	798,896	8%
Total Expense	<u>14,865,919</u>	<u>13,172,308</u>	13%
Prior Period Adjustment	<u>-0-</u>	<u>(68,496)</u>	
Decrease in Net Assets	\$ <u><u>(2,352,976)</u></u>	\$ <u><u>(1,141,554)</u></u>	106%

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Governmental Activities – The following table presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Economic Development, Culture & Recreation, Conservation of Natural Resources and Interest on Debt.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Union County's taxpayers by each of these functions.

	Total Costs	Net Costs
General Government	\$3,425,319	\$2,337,197
Public Safety	3,352,481	2,629,044
Public Works	5,805,898	4,629,989
Health & Welfare	411,124	328,116
Culture & Recreation	243,276	239,876
Conservation of Natural Resources	125,419	125,419
Economic Development	180,060	180,060
Interest on Debt	457,818	457,818

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Union County's governmental funds reported a combined fund balance of \$17,503,123, a decrease of \$391,318 or 2% from the previous year.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$192,359.

Enterprise fund – Operating Revenue from the County's Garbage Collection Fund increased by 5% to \$746,098 and expenses increased approximately 8% to \$864,524. Nonoperating Revenues in the form of capital grants and interest income totaled \$16,366.

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BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information after the notes to the Financial Statements.

The Original Budget was amended to actual at year end. The only significant variances from the original Budget in regard to total Revenues and Expenditures occurred in the Countywide Road Maintenance & Countywide Bridge Funds. These variances resulted from the timing of County Road and Bridge projects as well as State Aid Road and Bridge projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2012, Union County's total gross capital assets was \$110,482,791. This includes roads, bridges, other infrastructure, land, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress. This amount represents an increase from the previous year of \$1,122,922 or 1%.

Total accumulated depreciation as of September 30, 2012 was \$55,217,893, including \$3,303,616 of depreciation expense for the year. The balance in total net capital assets was \$55,264,898 at year-end.

Additional information on Union County's capital assets can be found in note 7 on page 41 of this report.

Debt Administration – At September 30, 2012, Union County had \$8,430,892 in long-term debt outstanding. This includes general obligation bonds, Mississippi Business Investment Act notes, and compensated absences. Of this debt, \$419,869 is due within one year.

Additional information on Union County's long-term debt can be found in note 10 on page 44 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

NEW INDUSTRY WITH FUTURE ECONOMIC IMPACT

Toyota has located an automobile assembly plant at Blue Springs, MS. in Union County. The facility began operations in the fall of 2011. Also, 2 major auto suppliers, Diversity Vuteq and Toyota Tsusho have located in the County and have begun operations as well. Also a major logistics company, KC Integrated Services has announced plans to locate at Sherman which is near the plant. This new industrial development should create a significant amount of spin off activity and in the future should have a substantial impact on the local economy.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Union County Administrator or Chancery Clerk's office at P.O. Box 847, New Albany, MS 38652.

UNION COUNTY

FINANCIAL STATEMENTS

UNION COUNTY

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UNION COUNTY
Statement of Net Assets
September 30, 2012

Exhibit 1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Union County Library System
ASSETS				
Cash	\$ 8,653,567	724,598	9,378,165	90,052
Investments	9,363,176		9,363,176	90,691
Accrued interest receivable	27,959		27,959	258
Property tax receivable	5,110,212		5,110,212	
Accounts receivable (net of allowance for uncollectibles of \$333,662)		136,891	136,891	
Fines receivable (net of allowance for uncollectibles of \$340,074)	97,660		97,660	
Capital leases receivable	414,284		414,284	
Intergovernmental receivables	355,515	33,150	388,665	
Other receivables	68,556	48,393	116,949	
Internal balances	45,911	(45,911)	0	
Ad valorem tax fee in-lieu receivable	8,337,697		8,337,697	
Deferred charges - bond issuance costs	301,292		301,292	
Restricted assets				76,576
Capital assets:				
Land and construction in progress	1,236,064		1,236,064	12,000
Other capital assets, net	53,850,547	178,287	54,028,834	116,304
Total Assets	87,862,440	1,075,408	88,937,848	385,881
LIABILITIES				
Claims payable	367,167	72,756	439,923	11,708
Intergovernmental payables	530,558		530,558	
Accrued interest payable	108,840		108,840	
Deferred revenue	5,155,692		5,155,692	69,000
Unearned revenue		48,191	48,191	
Amounts held in custody for others	113,836		113,836	
Long-term liabilities				
Due within one year:				
Non-capital debt	419,869		419,869	
Due in more than one year:				
Non-capital debt	8,003,343	7,680	8,011,023	5,088
Total Liabilities	14,699,305	128,627	14,827,932	85,796
NET ASSETS				
Invested in capital assets	55,086,611	178,287	55,264,898	118,939
Restricted:				
Expendable:				
General government	281,805		281,805	
Public safety	397,278		397,278	
Public works	4,152,067	768,494	4,920,561	
Health and welfare	1,651,232		1,651,232	
Culture and recreation	39,979		39,979	
Unemployment compensation			0	1,214
Nonexpendable	7,197,051		7,197,051	
Unrestricted	4,357,112		4,357,112	179,932
Total Net Assets	\$ 73,163,135	946,781	74,109,916	300,085

The notes to the financial statements are an integral part of this statement.

UNION COUNTY
Statement of Activities
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Union County Library System
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,425,319	625,608	462,514		(2,337,197)		(2,337,197)	
Public safety	3,352,481	520,870	167,903	34,664	(2,629,044)		(2,629,044)	
Public works	5,805,898		640,686	535,223	(4,629,989)		(4,629,989)	
Health and welfare	411,124		83,008		(328,116)		(328,116)	
Culture and recreation	243,276		3,400		(239,876)		(239,876)	
Conservation of natural resources	125,419				(125,419)		(125,419)	
Economic development and assistance	180,060				(180,060)		(180,060)	
Interest on long-term debt	457,818				(457,818)		(457,818)	
Total Governmental Activities	<u>14,001,395</u>	<u>1,146,478</u>	<u>1,357,511</u>	<u>569,887</u>	<u>(10,927,519)</u>		<u>(10,927,519)</u>	
Business-type activities:								
Solid Waste	864,524	728,898	17,200	15,950		(102,476)	(102,476)	
Total Business-type Activities	<u>864,524</u>	<u>728,898</u>	<u>17,200</u>	<u>15,950</u>		<u>(102,476)</u>	<u>(102,476)</u>	
Total Primary Government	<u>\$ 14,865,919</u>	<u>1,875,376</u>	<u>1,374,711</u>	<u>585,837</u>	<u>(10,927,519)</u>	<u>(102,476)</u>	<u>(11,029,995)</u>	
Component unit:								
Union County Library System	\$ 333,807	13,390	274,524	38,400				(7,493)
Total Component Units	<u>\$ 333,807</u>	<u>13,390</u>	<u>274,524</u>	<u>38,400</u>				<u>(7,493)</u>
General revenues:								
Property taxes					\$ 6,673,124		6,673,124	
Road & bridge privilege taxes					297,942		297,942	
Grants and contributions not restricted to specific programs					649,116		649,116	
Ad valorem tax fee in-lieu					441,999		441,999	
Unrestricted interest income					89,585	416	90,001	1,513
Miscellaneous					524,837		524,837	
Total General Revenues					<u>8,676,603</u>	<u>416</u>	<u>8,677,019</u>	<u>1,513</u>
Changes in Net Assets					(2,250,916)	(102,060)	(2,352,976)	(5,980)
Net Assets - Beginning of year					<u>75,414,051</u>	<u>1,048,841</u>	<u>76,462,892</u>	<u>306,065</u>
Net Assets - End of year					<u>\$ 73,163,135</u>	<u>946,781</u>	<u>74,109,916</u>	<u>300,085</u>

The notes to the financial statements are an integral part of this statement.

UNION COUNTY
Balance Sheet - Governmental Funds
September 30, 2012

Exhibit 3

	Major Funds					
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund	Health Foundation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 3,827,431	1,603,814	2,597,898	72,927	551,497	8,653,567
Investments	523,851			8,713,073	126,252	9,363,176
Accrued interest receivable	1,645			25,924	390	27,959
Property tax receivable	3,144,985	903,336	892,066		169,825	5,110,212
Fines receivable (net of allowance for uncollectibles of \$340,074)	97,660					97,660
Capital lease receivable					414,284	414,284
Intergovernmental receivables	303,568	22,211	8,765		20,971	355,515
Other receivables	19,397				49,159	68,556
Due from other funds	14,828	63,822	42,933		11,060	132,643
Advances to other funds	31,083					31,083
Total Assets	\$ 7,964,448	2,593,183	3,541,662	8,811,924	1,343,438	24,254,655
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 162,598	92,688	94,688	3,000	14,193	367,167
Intergovernmental payables	530,558					530,558
Due to other funds	117,815					117,815
Deferred revenue	3,242,645	903,336	892,066		584,109	5,622,156
Amounts held in custody for others	113,836					113,836
Total Liabilities	4,167,452	996,024	986,754	3,000	598,302	6,751,532
Fund balances:						
Nonspendable:						
Advances	31,083					31,083
Permanent fund principal				7,165,968		7,165,968
Restricted for:						
General government					281,805	281,805
Public safety					397,278	397,278
Public works		1,597,159	2,554,908			4,152,067
Health and welfare				1,642,956	8,276	1,651,232
Culture and recreation					39,979	39,979
Economic development and assistance					17,798	17,798
Unassigned	3,765,913					3,765,913
Total Fund Balances	3,796,996	1,597,159	2,554,908	8,808,924	745,136	17,503,123
Total Liabilities and Fund Balances	\$ 7,964,448	2,593,183	3,541,662	8,811,924	1,343,438	24,254,655

The notes to the financial statements are an integral part of this statement.

UNION COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 17,503,123
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$54,555,297.	55,086,611
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Ad valorem tax fee in-lieu receivable	8,337,697
Fines receivable	97,660
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,423,212)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(108,840)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	368,804
Deferred charges - bond issuance costs	<u>301,292</u>
Total Net Assets - Governmental Activities	\$ <u><u>73,163,135</u></u>

The notes to the financial statements are an integral part of this statement.

UNION COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2012

	Major Funds					
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund	Health Foundation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 4,195,552	1,147,763	1,114,005		215,804	6,673,124
Road and bridge privilege taxes		297,942				297,942
Licenses, commissions and other revenue	286,501				139,416	425,917
Fines and forfeitures	182,027				24,727	206,754
Intergovernmental revenues	1,019,445	528,144	564,822		464,103	2,576,514
Charges for services	230,615				275,548	506,163
In lieu tax - Toyota					833,000	833,000
Interest income	9,826	1,168	1,430	69,973	7,188	89,585
Miscellaneous revenues	48,841	8,453			63,539	120,833
Total Revenues	5,972,807	1,983,470	1,680,257	69,973	2,023,325	11,729,832
EXPENDITURES						
Current:						
General government	2,992,775				312,506	3,305,281
Public safety	2,578,572			59,000	595,210	3,232,782
Public works	11,690	2,415,288	1,580,050			4,007,028
Health and welfare	213,047			13,915	3,941	230,903
Culture and recreation	79,615				146,625	226,240
Conservation of natural resources	125,419					125,419
Economic development and assistance	173,340					173,340
Debt service:						
Principal					397,049	397,049
Interest					472,021	472,021
Total Expenditures	6,174,458	2,415,288	1,580,050	72,915	1,927,352	12,170,063
Excess of Revenues over (under) Expenditures	(201,651)	(431,818)	100,207	(2,942)	95,973	(440,231)
OTHER FINANCING SOURCES (USES)						
Compensation for loss of capital assets	12,950				8,125	21,075
Transfers in					3,658	3,658
Transfers out	(3,658)					(3,658)
Lease principal payments					27,838	27,838
Total Other Financing Sources and Uses	9,292	0	0	0	39,621	48,913
Net Changes in Fund Balances	(192,359)	(431,818)	100,207	(2,942)	135,594	(391,318)
Fund Balances - Beginning of year	3,989,355	2,028,977	2,454,701	8,811,866	609,542	17,894,441
Fund Balances - End of year	\$ 3,796,996	1,597,159	2,554,908	8,808,924	745,136	17,503,123

The notes to the financial statements are an integral part of this statement.

UNION COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (391,318)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$3,241,359 exceeded capital outlays of \$1,508,815 in the current period.	(1,732,544)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$69,929, the proceeds from the compensation for the loss of capital assets of \$21,075 and the principal portion of \$240,000 for the new capital lease receivable in the current period.	(331,004)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	7,644
In lieu tax - Toyota revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(833,000)
Revenues in the Statement of Activities that do not provide financial resources are not reported as revenue in the funds: Ad valorem tax fee-in-lieu	441,999
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments of \$397,049.	397,049
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Decrease in accrued interest payable	10,913
Increase in compensated absences	(14,586)
Amortization of bond issuance costs	(21,521)
Amortization of premium on bonds	15,757
Amortization of discount on bonds	(12,467)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(27,838)
In the Statement of Activities, capital leases are reported differently from the governmental funds. The revenue from the principal portion of the new capital lease receivable is deferred under the modified accrual basis, but is recognized under the full basis of accounting.	<u>240,000</u>
Change in Net Assets of Governmental Activities	\$ <u>(2,250,916)</u>

The notes to the financial statements are an integral part of this statement.

UNION COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2012

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 724,598
Accounts receivable (net of allowance for uncollectibles of \$333,662)	136,891
Intergovernmental receivables	33,150
Other receivables	48,393
Total Current Assets	<u>943,032</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	178,287
Total Noncurrent Assets	<u>178,287</u>
Total Assets	<u>1,121,319</u>
LIABILITIES	
Current liabilities:	
Claims payable	72,756
Due to other funds	14,828
Advances from other funds	31,083
Unearned revenue	48,191
Total Current Liabilities	<u>166,858</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	7,680
Total Noncurrent Liabilities	<u>7,680</u>
NET ASSETS	
Invested in capital assets, net	178,287
Restricted for:	
Public works	768,494
Total Net Assets	\$ <u>946,781</u>

The notes to the financial statements are an integral part of this statement.

UNION COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 728,898
Intergovernmental grants	17,200
Total Operating Revenues	<u>746,098</u>
Operating Expenses	
Personal services	405,758
Contractual services	240,571
Materials and supplies	141,110
Depreciation expense	62,257
Indirect administrative cost	14,828
Total Operating Expenses	<u>864,524</u>
Operating Income (Loss)	<u>(118,426)</u>
Nonoperating Revenues (Expenses)	
Interest income	416
Intergovernmental grants	15,950
Net Nonoperating Revenue (Expenses)	<u>16,366</u>
Net Income (Loss)	<u>(102,060)</u>
Changes in Net Assets	<u>(102,060)</u>
Net Assets - Beginning of year	<u>1,048,841</u>
Net Assets - End of year	<u>\$ 946,781</u>

The notes to the financial statements are an integral part of this statement.

UNION COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2012

Exhibit 7

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 710,690
Payments to suppliers	(121,624)
Payments to employees	(398,653)
Payments for claims	(240,571)
Net Cash Provided (Used) by Operating Activities	<u>(50,158)</u>
Cash Flows From Investing Activities	
Interest on deposits	416
Net Cash Provided (Used) by Investing Activities	<u>416</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(49,742)
Cash and Cash Equivalents at Beginning of Year	<u>774,340</u>
Cash and Cash Equivalents at End of Year	<u>\$ 724,598</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (118,426)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	62,257
Provision for uncollectible accounts	(4,073)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(21,368)
(Increase) decrease in intergovernmental receivables	(17,200)
(Increase) decrease in other receivables	5,371
Increase (decrease) in claims payable	31,236
Increase (decrease) in intergovernmental payables	(6,188)
Increase (decrease) in compensated absences liability	1,543
Increase (decrease) in unearned revenue	1,862
Increase (decrease) in interfund payables	14,828
Total Adjustments	<u>68,268</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (50,158)</u>

The notes to the financial statements are an integral part of this statement.

UNION COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 62,463
Total Assets	\$ 62,463
LIABILITIES	
Amounts held in custody for others	\$ 1,746
Other liabilities	279
Intergovernmental payables	60,438
Total Liabilities	\$ 62,463

The notes to the financial statements are an integral part of this statement.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Union County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Union County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the following component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County.

The Union County Library System is the only component unit of Union County. The System operates two libraries in the County, under authority granted to it by the Board of Supervisors. The County appoints all System board members. The County provides funding for System programs through an annual property tax levy. The County is also responsible for the maintenance and upkeep of the facilities, which are owned by the County.

C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Fund and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The County's Proprietary Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of the Proprietary Fund are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Countywide Bridge Fund – This fund is used to account for monies from specific revenue sources that are restricted for bridge maintenance.

Health Foundation Fund – This fund is used to account for the supplementing of indigent care and health, education and welfare services.

The County reports the following major Enterprise Fund:

Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - These funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

F. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Restricted Assets.

Component unit assets required to be held and/or used according to donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Union County elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

The component unit depreciates assets on the straight-line basis over the following estimated lives:

	Capitalization Thresholds	Estimated Useful Life
Library materials	\$ 0	5 years
Machinery and equipment	0	5-10 years
Furniture and fixtures	0	7-40 years
Improvements other than buildings	0	15-40 years

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net - Consists of capital assets including restricted capital assets, net of accumulated depreciation.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned.

The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned or unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts and then unassigned amounts.

M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Deposits and Investments.

Deposits:

Primary Government:

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$9,440,628, and the bank balance was \$9,703,621. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Discretely Presented Component Unit Union County Library System

The carrying amount of the System's deposits at September 30, 2012, was \$257,264. The bank balance in all institutions was \$259,950. The collateral for public entities' deposits in financial institutions are now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that in the event of the failure of a financial institution, the System will not be able to recover deposits or collateral securities that are in the possession of an outside party. The System does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the System. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the System. As of September 30, 2012, none of the System's bank balance of \$259,950 was exposed to custodial credit risk.

Investments:

Primary Government:

Investments balances at September 30, 2012, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	One year	\$ <u>9,363,176</u>	None

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk.

Discretely Presented Component Unit Union County Library System

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposit	One year	\$ <u>90,691</u>	None

Interest Rate Risk. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a formal policy for custodial credit risk. All of the System's investments were insured and held by the investment's counterparty on behalf of the System, in the name of the System.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(3) Ad Valorem Tax Fee-In-lieu Receivable

Union County, Pontotoc County and Lee County, collectively acting through the PUL Alliance, entered into an Ad Valorem Tax Fee-In-Lieu Agreement with the Mississippi Development Authority, the Mississippi Major Economic Impact Authority and Toyota Motor Manufacturing Mississippi, Inc. (TMMMS). The agreement provides that, beginning in January 2011, and continuing until the retirement of the Public Bonds, TMMMS will make an annual fee-in-lieu payment of \$2,500,000 to the PUL Alliance, which will then be distributed equally to the three counties. Fee payments shall be made on or before January 31 each year. The fee payment shall expire after the 2026 payment or, if the Public Bonds are retired sooner than 2026, it shall expire in the year of retirement. Union County's portion of this annual payment is one third or \$833,333.

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2012 is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2013	\$ 833,333
2014	833,333
2015	833,333
2016	833,333
2017	833,334
2018-2022	4,166,667
2023-2026	3,333,333
Total	\$ 11,666,666
Less: Discount to Present Value	<u>3,328,969</u>
Net Receivable	<u>\$ 8,337,697</u>

Receivable payments due in more than one year are discounted to net present value using the County's average interest rate of 5.45% on the bonds issued for the project, which management has determined is an appropriate discount commensurate with the risks involved.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ 14,828
Countywide Road Maintenance	General	63,822
Countywide Bridge	General	42,933
Other Governmental Funds	General	<u>11,060</u>
Total		<u>\$ 132,643</u>

The payables from the General Fund represent the tax revenue collected in September 2012 but not settled until October 2012. The payable from the Solid Waste Fund represents the indirect cost for the September 30, 2012 fiscal year, which is expected to be repaid within one year from the date of the financial statements.

UNION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ <u>31,083</u>

The advance from the General Fund to the Solid Waste Fund represents the indirect cost for the September 30, 2011 and 2010 fiscal years.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>3,658</u>

The principal purpose of the interfund transfer was to segregate monies required to be in a separate fund.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 91,782
Reimbursement for housing prisoners	32,425
Federal/State TVA payments in lieu of tax	129,351
Federal Victim's Assistance Coordinator grant	8,988
Federal EMPG grant	24,339
Motor vehicle fuel tax	19,785
Motor vehicle licenses	9,838
State aid road	8,765
COPS technology state grant	4,500
Drug court state grant	16,014
Harvest permits	1,317
Supreme court state grant	5,625
City of New Albany	535
Timber severance	315
Other	<u>1,936</u>
Total Governmental Activities	\$ <u>355,515</u>
Business-type Activities:	
Federal recycling grant	\$ <u>33,150</u>

UNION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(6) Restricted Assets.

**Discretely Presented Component Unit
Union County Library System**

The balances of the restricted asset accounts in the component unit are as follows:

Restricted Cash	\$ 7,576
Restricted Investments	<u>69,000</u>
Total restricted assets	<u>\$ 76,576</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Primary Government:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 712,505		14,000		698,505
Construction in progress	<u>0</u>	<u>537,559</u>			<u>537,559</u>
Total non-depreciable capital assets	<u>712,505</u>	<u>537,559</u>	<u>14,000</u>	<u>0</u>	<u>1,236,064</u>
<u>Depreciable capital assets:</u>					
Infrastructure	85,114,156	414,285			85,528,441
Buildings	14,390,135	120,122	336,000		14,174,257
Improvements other than buildings	433,231				433,231
Mobile equipment	7,472,807	412,219	44,343		7,840,683
Furniture and equipment	<u>412,102</u>	<u>24,630</u>	<u>7,500</u>		<u>429,232</u>
Total depreciable capital assets	<u>107,822,431</u>	<u>971,256</u>	<u>387,843</u>	<u>0</u>	<u>108,405,844</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	40,174,787	2,549,535			42,724,322
Buildings	5,798,402	277,136	26,880		6,048,658
Improvements other than buildings	288,275	6,237			294,512
Mobile equipment	4,804,704	379,925	39,909		5,144,720
Furniture and equipment	<u>318,609</u>	<u>28,526</u>	<u>4,050</u>		<u>343,085</u>
Total accumulated Depreciation	<u>51,384,777</u>	<u>3,241,359</u>	<u>70,839</u>	<u>0</u>	<u>54,555,297</u>
Total depreciable capital assets, net	<u>56,437,654</u>	<u>(2,270,103)</u>	<u>317,004</u>	<u>0</u>	<u>53,850,547</u>
Governmental activities capital assets, net	<u>\$ 57,150,159</u>	<u>(1,732,544)</u>	<u>331,004</u>	<u>0</u>	<u>55,086,611</u>

UNION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

Business-type activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 819,933	15,950			835,883
Furniture and equipment	5,000				5,000
Total depreciable capital assets	824,933	15,950	0	0	840,883
<u>Less accumulated depreciation for:</u>					
Mobile equipment	595,839	62,257			658,096
Furniture and equipment	4,500				4,500
Total accumulated Depreciation	600,339	62,257	0	0	662,596
Total depreciable capital assets, net	224,594	(46,307)	0	0	178,287
Business-type activities capital assets, net	\$ 224,594	(46,307)	0	0	178,287

**Discretely Presented Component Unit:
Union County Library System**

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Governmental Activities:</u>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 12,000				12,000
Total non-depreciable capital assets	12,000	0	0	0	12,000
<u>Depreciable capital assets:</u>					
Library materials	419,176	39,166			458,342
Machinery and equipment	80,002	27,411			107,413
Furniture and fixtures	33,601				33,601
Land improvements	7,041				7,041
Total depreciable capital assets	539,820	66,577	0	0	606,397
<u>Less accumulated depreciation for:</u>					
Library materials	345,626	39,397			385,023
Machinery and equipment	68,110	7,591			75,701
Furniture and fixtures	26,375	1,195			27,570
Land improvements	1,330	469			1,799
Total accumulated Depreciation	441,441	48,652	0	0	490,093
Other capital assets, net	98,379	17,925	0	0	116,304
Governmental activities capital assets, net	\$ 110,379	17,925	0	0	128,304

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Primary Government:	
Governmental Activities	
General government	\$ 16,485
Public safety	390,891
Public works	2,630,006
Health and welfare	180,221
Culture and recreation	17,036
Economic development	<u>6,720</u>
Total governmental activities depreciation expense	\$ <u>3,241,359</u>
Business-type activities:	
Solid waste	\$ <u>62,257</u>
Total business-type activities depreciation expense	\$ <u>62,257</u>
Discretely Presented Component Unit:	
Union County Library System	
Library materials	\$ 39,397
General government	<u>9,255</u>
Total component unit depreciation expense	\$ <u>48,652</u>

Commitments with respect to unfinished capital projects at September 30, 2012, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
LSBP-73(18)	\$ 105,175	March, 2013

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(9) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options as of September 30, 2012:

<u>Classes of Property</u>		<u>Amount</u>
Land	\$	14,000
Buildings		505,678
Mobile equipment		<u>22,306</u>
Total	\$	<u><u>541,984</u></u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2012, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 31,464	5,332
2014	32,461	5,500
2015	32,806	5,155
2016	33,164	4,796
2017	33,538	4,423
2018 – 2022	153,845	15,958
2023 – 2027	<u>51,526</u>	<u>4,316</u>
Total	\$ <u><u>368,804</u></u>	<u><u>45,480</u></u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
2007 GO Industrial Development Bond	\$ <u><u>8,030,000</u></u>	5.00-6.00	07/2026
B. Other Loans:			
Capital improvements revolving loan	\$ 145,189	3.00	09/2026
Capital improvements revolving loan	<u>306,341</u>	3.00	07/2029
Total Other Loans	\$ <u><u>451,530</u></u>		

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2013	\$ 400,000	431,500	22,833	13,236
2014	425,000	407,500	23,529	12,541
2015	450,000	382,000	24,244	11,826
2016	470,000	359,500	24,982	11,088
2017	495,000	336,000	25,741	10,329
2018 – 2022	2,880,000	1,269,075	140,938	39,409
2023 – 2027	2,910,000	410,575	149,643	16,842
2028 – 2032			39,620	1,099
Total	\$ 8,030,000	3,596,150	451,530	116,370

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2012, the amount of outstanding debt was equal to 3.9% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 94,616	14,586			109,202	
General obligation bonds	8,405,000		375,000		8,030,000	400,000
Less:						
Unamortized discounts	(195,317)		(12,467)		(182,850)	(13,191)
Add:						
Unamortized premiums	31,087		15,757		15,330	10,227
Other loans	473,579		22,049		451,530	22,833
Total	\$ 8,808,965	14,586	400,339	0	8,423,212	419,869
Business-type Activities:						
Compensated absences	\$ 6,137	1,543	0	0	7,680	0

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, E-911 Commission Fund, Fire Department Fund, Drug Court Fund, Countywide Road Maintenance Fund, Countywide Bridge Fund and Solid Waste Fund.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(11) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

Solid Waste Revenue Refunding Bonds – In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. In fiscal year 2012 the bonds were refinanced. The bonds were reissued for \$4,235,000. As part of a solid waste disposal service agreement between Union County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share (6.04%) of the \$4,235,000 refunding bonds balance at September 30, 2012, is \$255,794.

(12) Joint Ventures.

The County participates in the following joint ventures:

Union County is a participant with the City of New Albany, industries and other interested parties located within the County in a joint venture, as authorized by Section 19-5-99 Miss. Code Ann. (1972), in the Union County Development Association. The joint venture was created to aid in the development of industries in Union County and is governed by 11 directors, of which Union County appoints two. The County appropriated \$77,000 for support of the Association in fiscal year 2012. Complete financial statements for the Union County Development Association can be obtained from Union County Development Association, P. O. Box 56, New Albany, MS 38652.

Union County is a participant with the City of New Albany, as authorized by Section 17-13-9, Miss. Code Ann. (1972), in the New Albany-Union County Airport Board. The joint venture was created to acquire, construct, operate and maintain the New Albany-Union County Airport. Union County appoints two of the five-member board, and the president of the Board of Supervisors, along with the mayor of New Albany, appoints an additional member as chairman. Union County appropriated \$11,898 for the support and maintenance of the airport in fiscal year 2012. Complete financial statements can be obtained from the New Albany-Union County Airport, New Albany, MS 38652.

(13) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Union County Board of Supervisors appoints one of the seven members of the board of directors. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited. The County did not appropriate any funds for the support of the authority in fiscal year 2012.

Three Rivers Planning and Development District operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints two of the forty members of the board of directors. The County appropriated \$98,735 for the support of the district in fiscal year 2012.

UNION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Northeast Mississippi Community College operates in a district composed of the counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Union County Board of Supervisors appoints one of the fifteen members of the college board of trustees. The County appropriated \$807,903 for the support and maintenance of the college in fiscal year 2012.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Union County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$23,500 for support of the commission in fiscal year 2012.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints one of the twenty-four members of the board of directors. The County appropriated \$2,500 in fiscal year 2012 to the organization.

Northeast Mississippi Emergency Medical Services serves the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Union County Board of Supervisors appoints four of the thirty-six members of the board of directors. The County appropriated \$19,808 for support of the district in fiscal year 2012.

Pontotoc-Union-Lee Alliance (PUL) is an alliance among Pontotoc, Lee and Union counties. The Union County Board of Supervisors appoints two of the nine members of the board of directors. The County did not appropriate any funds for support of the alliance in fiscal year 2012.

(14) Defined Benefit Pension Plan.

Plan Description. Union County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$500,732, \$450,098 and \$439,160, respectively, equal to the required contributions for each year.

UNION COUNTY

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UNION COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY

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UNION COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,091,950	4,226,090	4,226,090	
Licenses, commissions and other revenue	322,400	290,447	290,447	
Fines and forfeitures	241,500	189,609	189,609	
Intergovernmental revenues	1,028,810	994,627	994,627	
Charges for services	190,000	216,296	216,296	
Interest income	15,000	11,104	11,104	
Miscellaneous revenues	21,550	38,548	38,548	
Total Revenues	<u>5,911,210</u>	<u>5,966,721</u>	<u>5,966,721</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,180,297	2,997,843	2,997,843	
Public safety	2,622,821	2,590,517	2,590,517	
Public works	15,668	11,898	11,898	
Health and welfare	217,200	213,022	213,022	
Culture and recreation	75,900	79,619	79,619	
Conservation of natural resources	133,778	125,653	125,653	
Economic development and assistance	195,735	175,735	175,735	
Total Expenditures	<u>6,441,399</u>	<u>6,194,287</u>	<u>6,194,287</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(530,189)</u>	<u>(227,566)</u>	<u>(227,566)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		19,590	19,590	
Transfers in	150,000	136,828	136,828	
Transfers out	(133,000)	(140,486)	(140,486)	
Total Other Financing Sources and Uses	<u>17,000</u>	<u>15,932</u>	<u>15,932</u>	<u>0</u>
Net Change in Fund Balance	(513,189)	(211,634)	(211,634)	
Fund Balances - Beginning	<u>3,601,370</u>	<u>3,943,421</u>	<u>3,943,421</u>	
Fund Balances - Ending	<u>\$ 3,088,181</u>	<u>3,731,787</u>	<u>3,731,787</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

UNION COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,127,800	1,155,954	1,155,954	
Road and bridge privilege taxes	280,000	302,158	302,158	
Intergovernmental revenues	528,000	529,593	529,593	
Interest income	4,000	1,290	1,290	
Miscellaneous revenues		8,453	8,453	
Total Revenues	<u>1,939,800</u>	<u>1,997,448</u>	<u>1,997,448</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>2,380,712</u>	<u>2,434,095</u>	<u>2,434,095</u>	
Total Expenditures	<u>2,380,712</u>	<u>2,434,095</u>	<u>2,434,095</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(440,912)</u>	<u>(436,647)</u>	<u>(436,647)</u>	<u>0</u>
Net Change in Fund Balance	(440,912)	(436,647)	(436,647)	
Fund Balances-Beginning	<u>456,144</u>	<u>1,697,526</u>	<u>1,697,526</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 15,232</u>	<u>1,260,879</u>	<u>1,260,879</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

UNION COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge Fund
 For the Year Ended September 30, 2012
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,098,100	1,121,927	1,121,927	
Intergovernmental revenues	100,000	70,501	70,501	
Interest income	6,000	1,561	1,561	
Total Revenues	<u>1,204,100</u>	<u>1,193,989</u>	<u>1,193,989</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>1,527,806</u>	<u>1,041,383</u>	<u>1,041,383</u>	
Total Expenditures	<u>1,527,806</u>	<u>1,041,383</u>	<u>1,041,383</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(323,706)</u>	<u>152,606</u>	<u>152,606</u>	<u>0</u>
Net Change in Fund Balance	(323,706)	152,606	152,606	0
Fund Balances - Beginning	<u>2,465,691</u>	<u>2,484,624</u>	<u>2,484,624</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,141,985</u>	<u>2,637,230</u>	<u>2,637,230</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

UNION COUNTY

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UNION COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2012 UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types		
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund
Budget (Cash Basis)	\$ (211,634)	(436,647)	152,606
Increase (Decrease)			
Net adjustments for revenue accruals	(554)	(13,978)	711
Net adjustments for expenditure accruals	19,829	18,807	(53,110)
GAAP Basis	\$ <u>(192,359)</u>	<u>(431,818)</u>	<u>100,207</u>

UNION COUNTY

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UNION COUNTY

OTHER INFORMATION

UNION COUNTY

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UNION COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Dwight "Peanut" Pickens	Supervisor District 1	EMC Insurance Company	\$100,000
Jimmy Yarbrough	Supervisor District 2	EMC Insurance Company	\$100,000
Danny Jordan	Supervisor District 3	EMC Insurance Company	\$100,000
Jesse "Randy" Owen	Supervisor District 4	EMC Insurance Company	\$100,000
Benny Rakestraw	Supervisor District 5	EMC Insurance Company	\$100,000
Terry Johnson	County Administrator	EMC Insurance Company	\$100,000
Annette Hickey	Chancery Clerk	EMC Insurance Company	\$100,000
Shellie Kent	Purchase Clerk	EMC Insurance Company	\$75,000
Kay Wicker	Assistant Purchase Clerk	EMC Insurance Company	\$50,000
Peggy Hollis	Receiving Clerk	EMC Insurance Company	\$75,000
Virginia Parker	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Larry Jarvis	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Katherine Gault	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Nancy Bell	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Tiffany Erby	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Denise Owen	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Gary Rowell	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Donald Richey	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Bobby Allen Pannell	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Jonathan Callicut	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Eddie Turner	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Bud Kiddy	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Steve Watson	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Perry Hall	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Danny Littlejohn	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Dean Dillard	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Jane Brooks	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Debra Coombs	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Mike Moore	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Terry Johnson	Inventory Control Clerk	EMC Insurance Company	\$75,000
Donald McNutt	Road Manager	EMC Insurance Company	\$50,000
James Byers	Road Manager	EMC Insurance Company	\$50,000
PJ Doyle	Constable	Western Surety Company	\$50,000
David Garrison	Constable	Western Surety Company	\$50,000
Phyllis Stanford	Circuit Clerk	EMC Insurance Company	\$100,000
Helen Randle	Deputy Circuit Clerk	EMC Insurance Company	\$50,000
Rhonda Dowdy	Deputy Circuit Clerk	EMC Insurance Company	\$50,000
Linda Wells	Deputy Circuit Clerk	EMC Insurance Company	\$50,000
Jimmy Edwards	Sheriff	EMC Insurance Company	\$100,000
Ronnie Rakestraw	Justice Court Judge	Brierfield Insurance Company	\$50,000
Chris Childers	Justice Court Judge	Western Surety Company	\$50,000
Larissa Edwards	Justice Court Clerk	EMC Insurance Company	\$50,000
Baron Lee Baker	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Rob Anderson	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
James Province	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Avery Adair	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Tony Douglas Vandiver	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Joseph Brett Wicker	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Amanda Chism	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Denise Owen	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Deborah Fair	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Robbie Moore	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Randy Dunnam	Tax Assessor/Collector	EMC Insurance Company	\$100,000
Cynthia Swofford Wilbanks	Deputy Tax Assessor/Collector	EMC Insurance Company	\$10,000
Christy Sullivan	Deputy Tax Assessor/Collector	EMC Insurance Company	\$10,000
Bobbie Karen McMillen	Deputy Tax Assessor/Collector	EMC Insurance Company	\$10,000
Michael Meinz	Deputy Tax Assessor/Collector	EMC Insurance Company	\$10,000

UNION COUNTY

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UNION COUNTY

SPECIAL REPORTS

UNION COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Union County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Union County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 7, 2014. Our report includes a reference to another auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Another auditor audited the financial statements of the Union County Library System, as described in our report on Union County, Mississippi's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Union County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 12-1, 12-2 and 12-3 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 12-4 to be a significant deficiency.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, the results of our tests disclosed an other matter that is required to be reported under *Government Audit Standards* and which is described in the accompanying Schedule of Findings and Responses as 12-2.

We also noted certain matters that we reported to the management of Union County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated March 7, 2014, included within this document.

Union County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Union County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 7, 2014



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Union County, Mississippi

We have examined Union County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Union County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

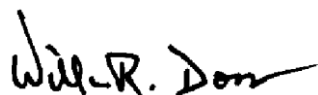
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Union County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Union County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Union County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 7, 2014

UNION COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
12/27/11	Slag and aggregate \$ at plant	9.65/ton	Hoover, Inc.	\$ 8.75/ton	After considering all costs and travel distance and time, Hoover was determined to be the best bid.

UNION COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

Our test results did not identify any emergency purchases.

UNION COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

UNION COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Union County, Mississippi

In planning and performing our audit of the financial statements of Union County, Mississippi (the County) for the year ended September 30, 2012, we considered Union County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Union County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 7, 2014, on the financial statements of Union County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Chancery Clerk.

1. The Chancery Clerk deducted unallowable expenses on the annual financial report.

Finding

Section 9-1-43(1) Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year. The Chancery Clerk claimed \$1,885 in expenses in 2012 that were not allowable business expenses. The Chancery Clerk was under the salary cap for 2012, by \$241, therefore the balance that should be remitted to the County by the Chancery Clerk is \$1,644. Claiming expenses that are not ordinary and necessary for the operation of the Chancery Clerk's office could result in the loss of public funds.

Recommendation

The Chancery Clerk should remit \$1,644 to the General Fund and should ensure that all future expenses claimed for the operation of her office are allowable.

Chancery Clerk's Response

I will comply.

Auditor's Note:

The Chancery Clerk paid \$1,644 to the County's General Fund on August 14, 2013, as evidenced by receipt number 8378.

Circuit Clerk.

2. The Circuit Clerk deducted unallowable expenses on the annual financial report.

Finding

Section 9-1-43(1) Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year. The Circuit Clerk claimed \$1,238 in expenses in 2012 that were not allowable business expenses. The Circuit Clerk should remit this amount to the General Fund. Claiming expenses that are not ordinary and necessary for the operation of the Circuit Clerk's office could result in the loss of public funds.

Recommendation

The Circuit Clerk should remit \$1,238 to the General Fund and should ensure that all future expenses claimed for the operation of her office are allowable.

Circuit Clerk's Response

I will comply.

Auditor's Note:

The Circuit Clerk paid \$1,238 to the County's General Fund on August 14, 2013, as evidenced by receipt number 8379.

Union County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 7, 2014

UNION COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

UNION COUNTY

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UNION COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiency identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 12 - 1. Controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include the proper accrual of receivables and payables and the proper recording and classification of all transactions. We noted the following deficiencies in the financial statement preparation and reporting:

- a. Intergovernmental receivables were understated by \$4,500, due to a COPS technology grant that was omitted from the financial statements.
- b. Claims payable was overstated by \$47,173 for claims that were not due until the next fiscal year.
- c. Intergovernmental payables were overstated by \$38,219, because workers compensation October premiums were accrued in error.
- d. Miscellaneous revenues and corresponding expenditures were overstated by \$387,363, due to an error in recording the addition of donated assets.
- e. Compensated absences were understated by \$18,064, due to the omission of fringe benefits.
- f. Public works expenditures and intergovernmental revenues were understated by \$485,557 due to the omission of state aid project expenditures and revenue paid directly to the vendors.
- g. In the Governmental Activities, miscellaneous revenues were overstated by \$649,116, due to misclassification of grants and contributions not otherwise restricted to specific programs.

Audit adjustments to correct these errors in the County's financial statements and notes to the financial statements were proposed to management and made to the financial statements with management's approval.

UNION COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes proper accrual of receivables and payables and proper recording and classification of transactions.

Board of Supervisors' Response

This is the first year that we had financial reports prepared by an outside firm. In the past auditors reported county financial reports. We will discuss these adjustments with the accounting firm and expect better results in the future.

Material Weakness

Other Matter

12-2. Payments were made to medical examiner for death investigations that did not occur.

Finding

Section 41-61-75(1)(a) Miss. Code Ann (1972) states a medical examiner shall receive One Hundred Twenty-five Dollars (\$125) for each completed report of investigation of death. An effective system of internal control over death investigations should include a review of documents submitted for payment. Audit procedures noted the Board of Supervisors' approved payment for death investigations that did not occur in Union County. Failure to ensure that payments to the coroner are for valid death investigation could result in the loss of public funds.

Recommendation

The Board of Supervisors should ensure that all payments approved and made by the county are for valid claims.

Board of Supervisors' Response

We will comply.

Auditor's Note

This matter was referred to the Investigative Division of the State Auditor's Office.

The State Auditor's Office's investigation of Golding determined he submitted false claims totaling \$276,591.56 to the Union County Board of Supervisors. Golding requested fees and was paid for deaths he did not investigate. On September 12, 2013 the State Auditor's Office served a demand to Golding in the amount of \$398,418.83, which included the principal amount, interest, and investigative costs. Golding will be required to pay restitution in the amount of \$363,484.93 to the Union County General Fund and \$34,933.90 to the State Auditor's Office.

UNION COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Material Weakness

12-3. Processing of payroll and other payroll duties are not adequately segregated.

Finding

An effective system of internal control should include an adequate segregation of duties for payroll preparation. The maintenance of the general ledger, processing of payroll and other payroll duties are not adequately segregated for effective internal control. The payroll clerk prepares the payroll and payroll checks, distributes payroll checks, reconciles the payroll bank statement and unclaimed W2's are returned directly to the payroll clerk and payroll is not approved on the Board of Supervisors minutes. Failure to have an adequate segregation of duties for payroll preparation could result in the loss of public funds.

Recommendation

The Board of Supervisors should implement a system of internal control that will ensure that proper segregation of duties exists with respect to control of the general ledger, the processing of payroll and other payroll duties and proper approval of payroll.

Board of Supervisors' Response

We have certain controls in place to help compensate for the lack of a large department. Each employee's pay rate is authorized on the minutes and kept on file by the Administrator. The Administrator periodically reviews payroll records and signs off on the payroll bank reconciliation every month. A separate official signs checks. Statutory fees are approved by the Board. Department heads distribute checks.

We will consider implementing additional controls where practical.

Payroll Clerk

Significant Deficiency

12-4. Overtime was paid through payroll without proper authorization.

Finding

An effective system of internal control over payroll should ensure that all payments are properly approved and authorized. During our test work, it was noted that an employee was paid 11 hours of overtime at the rate of time and a half, without proper authorization or any approval. The lack of proper approval for overtime wages could lead to employees being over paid.

Recommendation

Internal controls should be implemented over payroll to ensure that overtime wages paid are properly authorized and approved.

Payroll Clerk's Response

We will comply.